

TOBACCO REGION REVITALIZATION COMMISSION

701 East Franklin Street, Suite 501

Richmond, Virginia 23219

R & D Committee Meeting

Monday, February 22, 2016

4:30 P.M.

Crowne Plaza Hotel

Richmond, Virginia

1 APPEARANCES:

2 The Honorable Kathy J. Byron, Chairman

3 Ms. Mary Rae Carter, Special Advisor for Rural Partner

4 The Honorable Charles W. Carrico, Sr.

5 Ms. Cathy Lowe

6 The Honorable Daniel W. Marshall, III

7 Mr. Dale Moore

8 The Honorable Will Morefield

9 The Honorable Edward Owens

10 The Honorable Ralph K. Smith

11 The Honorable Frank M. Ruff, Jr.

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 APPEARANCES (cont'd):

2 COMMISSION STAFF:

3 Ms. Sarah K. Capps - Grants Program Administrator

4 Southside, Virginia

5 Mr. Timothy S. Pfohl - Grants Program Administration Director

6 Mr. Evan Feinman, Executive Director

7 Mr. Ned Stephenson - Deputy Executive Director

8

9 COUNSEL FOR THE COMMISSION:

10 Ms. Kristina Stoney, Senior Assistant Attorney General

11 Richmond, Virginia

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 DELEGATE BYRON: I'm going to call the R & D
2 Committee to order. Let's call the roll, please.

3 MR. FEINMAN: Certainly.

4 Delegate Byron.

5 DELEGATE BYRON: Here.

6 MR. FEINMAN: Senator Carrico.

7 (No response.)

8 MR. FEINMAN: Ms. Coleman.

9 (No response.)

10 MR. FEINMAN: Ms. Carter.

11 MS. CARTER: Here.

12 MR. FEINMAN: Delegate Marshall.

13 DELEGATE MARSHALL: Here.

14 MR. FEINMAN: Mr. Moore.

15 MR. MOORE: Here.

16 MR. FEINMAN: Delegate Morefield.

17 (No response.)

18 MR. FEINMAN: Mr. Owens.

19 MR. OWENS: Here.

20 MR. FEINMAN: Senator Ruff.

21 (No response.)

22 MR. FEINMAN: Senator Smith.

23 (No response.)

24 MR. FEINMAN: You have, by a narrow margin, a
25 quorum.

1 DELEGATE BYRON: That's right. We may have
2 some late arrivers from the General Assembly since we are in the
3 initial working session here.

4 Now, the minutes have been posted on the
5 website. We don't have any amendments to them, so I'll take a
6 motion for approval.

7

8 (The motion was so moved and seconded.)

9

10 DELEGATE BYRON: All in favor of approving
11 the 9/23/15 minutes, say aye.

12 THE QUORUM: Aye.

13 DELEGATE BYRON: Any oppose?

14 (No response.)

15 DELEGATE BYRON: Okay. I'm going to turn it
16 over to Evan, and you can start us off.

17 MR. FEINMAN: Certainly, madam chairman.

18 Members of the committee, we took a break
19 after the last R & D meeting on new application grounds, both
20 because there were serious concerns about the cost and of the
21 prior vetting process and because, you know, we moved a good
22 ways through the original funding of the committee, and it
23 seemed to make sense to take stock. However, the staff and
24 various others have taken a hard look at it. We had a couple of
25 productive conversations about how to, as a committee, vet these

1 sorts of projects moving forward. And, ultimately, we've really
2 come up with two directions. And, you know, my recommendation
3 to the committee is to just pursue both of them.

4 The first is to dispense with the vetting and
5 do follow-up funding of successful projects that have already
6 received R & D funding. So, you know, often at this stage of
7 the game, these ventures don't know immediately the commercial
8 liability. And we've heard from a number of different prior
9 R & D recipients that they could use another grant so they can
10 get all the commercial liability. So, you know, that would be
11 something that we could certainly pursue. We can give out a
12 certain amount of money for that.

13 The second is to offload our vetting as it
14 were to the Federal Government. They run the SBIR program,
15 various different agencies of Federal Government and money for
16 small business innovation research.

17 SENATOR SMITH: It's called S--

18 MR. FEINMAN: --SBIR. And they have a very
19 rigorous vetting process that Sarah has taken a long, hard look
20 at and that others, our partners at CIT, do a lot of work with
21 that and have great faith in their vetting process. And I think
22 if we were to do that, we'd be getting business ready,
23 potentially commercially viable projects, that need a match.
24 They can't hold down those Federal dollars without some matching
25 of it. And these would be, you know, have great faith in the

1 reliability of their vet.

2 SENATOR SMITH: So it wouldn't just be a vet.
3 It would be a vetting of the match.

4 MR. FEINMAN: --vetting of the match, yes.

5 SENATOR SMITH: So when we set this up
6 originally, we had four or five different avenues that we were
7 to go down. If we did this with the Feds, with SBIR, could we
8 limit that to what we wanted to originally do?

9 MR. FEINMAN: Under no circumstances would we
10 offer any decision making that the committee still has. What
11 we'd say is we would solicit projects from the pool of people
12 who were interested or had applied for this Federal grant, and
13 then we'd say come to us, apply to us for matching funds to
14 correspond with that grant, and then we could still make all the
15 decisions that we make now regarding which fit in with our, you
16 know, choices and priorities and which didn't.

17 DELEGATE BYRON: Do they charge a fee?

18 MR. FEINMAN: Does the SBIR charge a fee?

19 DELEGATE BYRON: Yes.

20 MR. FEINMAN: I don't think so.

21 Sarah, do you happen to know?

22 MS. CAPPS: No. And my expert is
23 Doug Corrigan in the back. But, no. Part of the -- It wouldn't
24 be a fee to us. Just part of the process of receiving an SBIR
25 Phase One grant. And then they have to develop a -- They have

1 to submit based on scientific merit and commercializations
2 interested in the same terms that we use. And then when they
3 apply for a Phase Two SBIR, they have got to further develop
4 their business plan and their case with their commercialization
5 plan.

6 MR. FEINMAN: Under no circumstances do we
7 pay for it, but I don't know if the applicants pay or not.

8 SENATOR SMITH: Sarah referenced an expert in
9 the back. Can we get the expert to the podium.

10

11 (Mr. Corrigan approaches the podium.)

12

13 SENATOR SMITH: I didn't know you were an
14 expert.

15 MR. CORRIGAN: I'm Doug Corrigan. I'm the
16 Director of the Southern Virginia Product Advancement Center,
17 one of the R & D Centers that which is funded. So basically the
18 SBIR program was institutionalized probably back in the 1980's.
19 The Congressional mandate that stipulated that all Federal
20 agencies had to extend two-and-a-half percent of their budget to
21 funding small business research, innovative research.
22 Basically, taking on risks that investors wouldn't take to
23 develop new technologies and products.

24 Small business defined by the Federal
25 Government is any company less than 500 employees. So by the

1 Tobacco Commission's standard, I think 500 employees would be a
2 company that would be considered to be a pretty large company.
3 A lot of these SBIR companies originate out of universities with
4 researches that are even going on in universities and now they
5 want to spin that off into a commercial company. A lot of times
6 they will apply for SBIR funding.

7 A Phase One grant usually is around \$150,000.
8 It goes for six to nine months. They have that amount of time
9 to prove the concept. If they are successful in proving their
10 concept model, then they can apply for a Phase Two grant. A
11 Phase Two grant will be approximately one million to
12 one-and-a-half million dollars, and they have two years. So
13 that would fit in nicely with the R & D program here. The State
14 of Virginia itself is very competitive when it comes to the SBIR
15 program. I think we are third in the nation in terms of
16 applicants that have been awarded. The State of Virginia has
17 something like 600 SBIR companies that get funded every year.

18 So North Carolina is also very competitive
19 with about 300 companies coming out of the research triangle.
20 So among those two rank, you know, in proximity to us, we would
21 have almost a thousand companies per year that are receiving
22 Federal grants. And these companies have to go through a very
23 substantial vetting process by subject matter, experts in the
24 field that they are working in. So, you know, they have
25 different sectors; Department of Energy, Department of Defense,

1 The National Institute of Health; The National Science
2 Foundation. They all have programs in different industry
3 sectors from energy, to materials, to advancing and
4 manufacturing new electronics, to defense related technology.

5 So we can define potentially a set of sectors
6 that were interested -- an interest to the Tobacco Commission
7 based on, of course, skills and strategies that your region has,
8 and then go after companies that fit those sectors that we can
9 support and then begin to market to them. Now, the matching
10 dollars could be very attractive to these companies to have them
11 locate into our region, because money from the Federal
12 Government can be spent on operational cost under salaries. It
13 cannot be spent on building infrastructure, or equipment, or
14 technology. So a lot of times they have to go out and raise
15 funds to be able to do those things. If the Tobacco Commission
16 matches the dollars, the Tobacco Commission money can be
17 earmarked to building improvements, technology, and labs that
18 will stay in the footprint. And the Federal dollars can be used
19 for operational cost, which is something the Tobacco Commission
20 doesn't normally like to fund or apply for.

21 SENATOR SMITH: How many jobs -- Let me back
22 up. One of the things that I've always said about us, we've
23 already said that we are -- We're not really looking for
24 somebody to do it from research. We are not really looking for
25 somebody -- We are looking for somebody who has done most of it

1 who is at third and getting ready to go home commercialization
2 wise. Now that's what we've always pushed. So this sounds a
3 little bit more like it's more R, big R, little d. Does this
4 really turn into jobs?

5 MR. CORRIGAN: Yes. I think the SBIR program
6 is very successful in terms of being -- creating jobs and
7 commercializing new technology. I would agree with you on the
8 Phase One grant it is sort of a big R, little d, because it's a
9 proof of concept at that point, although they have to provide a
10 lot of scientific merit to the peer review process to prove to
11 the reviewers that actually built this proof of concept that
12 it's going to work.

13 Once again, after Phase Two, they actually
14 have to provide almost a comprehensive business plan how they
15 could commercialize this technology. And some of the funds have
16 to be spent by a consulting company that understand business
17 that helps them commercialize and market their technology. So
18 the SBIR program has traditionally in the past been something
19 that they didn't focus a whole lot on commercialization and in
20 the last few years actually changed the law so that these
21 companies have to be commercializing what they're doing. The
22 amount of grants any one company can receive has been limited
23 now. So it used to be companies could just get an unlimited
24 number of SBIR grants, and now that's been limited so that they
25 actually have to commercialize what they've already done. So

1 there is a very large focus on commercialization now with the
2 Phase Two application.

3 SENATOR SMITH: So another point is that we
4 ask for commercialization that has to be a blueprint. We've had
5 some companies that, you know, scored well, but they wouldn't
6 sign it, so we didn't give them the money. So could we, with
7 this program, limit them or require that when they
8 commercialize, they've got to do it by the blueprint.

9 MR. CORRIGAN: Yes. You would be making a
10 stipulation on these companies that if they are going to receive
11 your funds, they would have to commercialize the blueprint.
12 There are different ways you can try to do that, you know,
13 that's up to you. But I don't think there's any legal barrier
14 that would cause you not to be able to receive these funds from
15 the Federal Government because you are specifying where they
16 have to commercialize. I don't think that would be a problem.

17 SENATOR SMITH: If you look at these
18 companies who have already done the SBIR, is it one particular
19 business sector, or are they all over the board or do most of
20 them go for software development, or et cetera, et cetera?

21 MR. CORRIGAN: Right. There are lots of
22 different industry sectors represented. The National Institute
23 of Health would, obviously, be medical and biotechnologies. The
24 National Science Foundation funds sectors from energy to advance
25 manufacturing to new advance materials, Department of Defense

1 normally funds things that are something that they are going to
2 be a customer of. So if NASA or the Department of Defense are
3 the actual funding agencies, you have a very large focus on
4 funding technology because they are going to purchase, or buy,
5 or use in their own programs. The other agencies sort of leave
6 it up to the companies where they want to commercialize the
7 market. So the industry sectors vary. If you can imagine it,
8 it's been funded through the SBIR program in some way.

9 DELEGATE BYRON: Delegate Marshall, I think
10 that some of your concerns, and, of course, mine too, would be
11 that we follow the same criteria that we have somewhat in the
12 past. The only difference would be that they pass that first
13 application level of what the criteria is and then they go and
14 apply for the SBIR. And if they get that, then we already know
15 they've got matching funds that they have already been vetted,
16 number one, and then, two, they will receive the grant, correct?
17 Isn't that what we are talking about?

18 MR. CORRIGAN: Now, one of the things that
19 the Phase One grant, is after they have received the Phase
20 One--like I said, it's \$150,000--they have six to nine months to
21 prove the concept. Once they do that, they have to apply for
22 the Phase Two, and they have to wait for a decision. And that
23 could take six months. So by the time they start receiving
24 money again, it could be a year from the time they stop
25 receiving money under Phase One. So that gap right there, that

1 six month to one year gap, they have no funding coming in as a
2 company. And a lot of these SBIR companies, they can't survive
3 after that Phase One. So some states have instituted programs
4 who would come in with the gap program, fund those companies
5 through Phase One to Phase Two to help them transition over to
6 the gap funding program. So that is something you can look at.
7 They could have benefit of value, as well as matching any Phase
8 Two dollars that they have received.

9 DELEGATE BYRON: Okay.

10 MR. FEINMAN: One additional benefit of this
11 is this idea that we've got some communication from our friends
12 and partners at CIT. And they, while they have been trying to
13 do some of that gap funding and some SBIR matches to the extent
14 that they are able to keep their funds. And they would love to
15 (a) start funding some more programs in our part of the world,
16 and (b) partner with us to make that more visibly viable for
17 each organization. So that is attractive and in some ways we
18 are getting double--

19 DELEGATE BYRON: Yes.

20 MS. CARTER: This is where I have concern
21 about this, although I think it is a wonderful idea, and I hope
22 we can make this work. But I worry about having the workforce
23 that's going to be needed with this type of situation, because
24 it appears that everything is federally based, as far as I would
25 assume that, for instance, the health area would want something

1 that they would be able to use. Is that the way they look at
2 these companies?

3 MR. CORRIGAN: So basically the products and
4 technology they fund are going to be something they can see
5 moving out to the marketplace if there is a market demand for it
6 that can be manufactured. One, the U.S. based companies that
7 can manufacture the product here. So I think the spectrum of
8 types of companies and sectors that they fund, what the Tobacco
9 Commission would need to do is find those sectors that fit well
10 with our region and say these are the kinds of projects we can
11 support, and these are the kinds that we don't think we would be
12 very strong in supporting because we don't have the workforce.

13 So, as an example, we are working with a
14 company called the Timeless Marine Systems. They build a boat
15 basically, that will provide (inaudible) at sea and collect
16 data. Well, the skill sets needed to make that boat are
17 fabricating, and assembly, and machining, and laying out the
18 composite materials, and we have the workforce to do that.

19 So an SBIR company like that would fit well
20 in our region where we'd have to manufacture some type of
21 tangible product. There are examples in Danville, Tennessee
22 where there are companies doing biotechnology that we can
23 support. Engineer biopharmaceuticals is there. They are making
24 a vaccine delivery product that they have had good success in
25 finding the kind of people that they need to move forward.

1 So I think there are certain sectors in the
2 SBIR program we could support. I also think, you're right,
3 there are companies that we couldn't make a good case.

4 MS. CARTER: So basically what we would need
5 to do if we adopt this process is make sure that we are focusing
6 on certain types of SBIR projects and not all of them.

7 MR. CORRIGAN: Yes.

8 DELEGATE BYRON: If I could ask one more
9 question about the 600 companies in Virginia. Would you know
10 geographically where those are?

11 MR. CORRIGAN: They're mostly going to be in
12 Virginia mostly around the research triangle area. They
13 normally tend to pop up around universities. So you are going
14 to see a lot of activity around Virginia Tech, and the
15 University of Virginia, and ODU. And you see a lot of activity
16 up in Northern Virginia. There are very few examples of
17 companies that are grown in Southern Virginia receiving an SBIR
18 award. We try to find some of the data. We didn't find many
19 examples. So this would definitely be an attraction effort. It
20 wouldn't be funding companies that are in here, but mostly would
21 be an effort to attract new companies to the footprint.

22 DELEGATE BYRON: Thank you.

23 Delegate Marshall.

24 DELEGATE MARSHALL: So are these mostly
25 start-up ideas or start-up companies, or could it be the

1 existing company who has a new idea for a new product?

2 MR. CORRIGAN: So it could be both. For
3 example, that works for a lot of companies. If they need a new
4 product or have 35 or something, they'll work on the SBIR by
5 finding companies that are smaller in nature that can apply for
6 the funds, and they will sort of piggyback off of that. But,
7 like I said, they will look at companies up to 500 employees.
8 So it has been larger or the established company receiving SBIR
9 funds, I would say, the majority of them go to start-up
10 companies. It seems to be the mix.

11 DELEGATE BYRON: Okay. Thank you.

12 I think it's important for all of us to keep
13 in mind, I think the idea today is to just talk about some
14 possible opportunities. And then if we get the go ahead, we
15 can, you know, if we are interested in that, then go back and
16 get something a little bit more solid for us to plug as a plan.
17 And I think we are talking about several different
18 opportunities--and I don't think you were done yet--that maybe
19 we designate a certain amount of money for this. And we are not
20 talking about putting the whole balance of our funds into that.

21 MR. FEINMAN: Thank you, madam Chairman.

22 So the totality of really what we're talking
23 about is taking the 18 odd million that we have left in this
24 budget and earmarking various portions of it for different
25 applicants. So we're not just going to say here's 18 million

1 dollars, come all, you know, and apply. Rather, what we could
2 do is we could -- Right now we've already vetted the applicants
3 and presumably, at least for a period of time, thought highly of
4 their project, we've already vetted the applicants who've
5 received one grant.

6 So we can take, for example, and my idea
7 would be to do an initial round of two-and-a-half million
8 dollars. We could do that in the summer. And in between now
9 and the end of the summer, we could write up some policies
10 around the SBIR program if this committee wants us to pursue
11 that, and then we could present to this committee at the same
12 time that you're evaluating those following applicants that we
13 get during the summer. And then we could earmark the player we
14 wanted for that, say, another two-and-a-half million. It could
15 be five million. You know, I'll leave that up to the discretion
16 of the committee.

17 I think in a perfect world what we would, you
18 know, in my mind, given the research that we have left there, I
19 think it would be wise for the committee to come up with a loan
20 structure for at least half of the outstanding resources that
21 are still before it just so that there is increased longevity in
22 the program. But then, you know, the remainder I think grants
23 and the SBIR match and they are effectively matched by our prior
24 grants will yield us better results. We know that those are
25 proven winners, that they were able to survive and thrive under

1 our prior grant, and they are more likely to be close to
2 commercialization or they might be commercializing a second or
3 third idea that's come out of their research. Those are
4 companies I have more faith in than folks who are just coming
5 out of the blue.

6 And so the whole idea here is really to
7 tighten up the pathway to get in front of this committee to make
8 sure that the companies that are coming before you are proven
9 one way or another. Either they got through this very tough
10 Federal process or they got through our prior process and
11 survived.

12 DELEGATE MARSHALL: Question.

13 DELEGATE BYRON: Yes.

14 DELEGATE MARSHALL: You mentioned CIT, they
15 are going to be partnering with us also. So just for
16 conversation, so if you do put up two-and-a-half million that we
17 could use to match the Fed's funding, how much do you think CIT
18 are going to give?

19 MR. FEINMAN: Not two-and-a-half million. It
20 would be some significant percentage less than that. What we
21 might be able to do is, we might be able to get them to do that
22 gap funding period, which in my mind is a much less certain
23 period. And then, if at that point, it's ready for somebody to
24 go big time, then it's up to us. And, again, that would be --
25 You know, what I'd really like this committee to do today for us

1 is direct the staff in terms of where you want us to go. If you
2 want to go that route and turn it into a good program with CIT
3 and some real tough project guidelines, then we could do that.
4 If you instead want to just pursue follow-up funding, we could
5 do that. And if you want us to go back to the drawing board and
6 come up with a new vetting process, that would not be my
7 recommendation, but we could do that.

8 So really we need direction.

9 DELEGATE BYRON: Unless there is some other
10 ideas that the committee has, we can start by talking about the
11 ones we already got. The first one was opening up around with a
12 set amount of money that would be follow-up funding for the
13 applicants that are already vetting that are already out doing
14 R & D projects. And each one of those would be reviewed by
15 staff. Does anybody object to that?

16 DELEGATE MARSHALL: Let me just make sure.
17 So if we do the follow-up, you're not talking about sending it
18 back to--

19 DELEGATE BYRON: No.

20 DELEGATE MARSHALL: You would do it or
21 follow-up in-house?

22 MR. FEINMAN: Yes.

23 DELEGATE MARSHALL: And we're talking about
24 something this spring, and we would take that up initially by
25 May. We are not talking about doing it in the fall.

1 MR. FEINMAN: We would -- Where the staff is
2 right now, you know, I think it would be very cognitive to open
3 up this round and vote on it by May and have good
4 recommendations for you. I think what we need to do is do it in
5 the summer and then have the committee vote in the summer and
6 then ask for a full Commission hearing at some time.

7 DELEGATE BYRON: Senator Carrico.

8 SENATOR CARRICO: (Inaudible.)

9 THE COURT REPORTER: I'm so sorry. I didn't
10 hear him.

11 DELEGATE BYRON: How many projects?

12 SENATOR CARRICO: Yes. How many projects and
13 how much money do we need to have (inaudible)?

14 DELEGATE BYRON: Well, I'm not going to --
15 I'm not sure I'm going to get to ever answer that. But what I
16 was thinking was that it would be like any mission like special
17 projects where we put out x-dollars--we were talking about five
18 million--money out there for follow-up funding for companies
19 that are beyond Phase Two or talking about that criteria. And
20 there may be five million there, and you might get 15 million
21 dollars worth of applications, but you only fund the best or
22 worthy projects that are before you. So I don't know that will
23 do. Doing it that way, you know, you're doing it on merit.

24 Any suggestions from staff? Tim, do you want
25 to say anything about that?

1 MR. PFOHL: Just only to say we looked at our
2 data base, and there is a potential pool of about 20 applicants
3 that have received one round of funding from the R & D Committee
4 so far. So, you know, some of those have -- are making
5 substantial progress. Some have not really gotten out of the
6 gate in a couple of years since being approved. So you have
7 some that seemed poised to be ready to apply. Probably most of
8 them aspire to getting second round funding, but will be able to
9 tell the committee about what kind of progress is being made
10 with the Phase One funding. And that's a pretty good indicator
11 of, you know, how on track they are in moving towards their
12 goals.

13 MR. OWENS: Madam Chairman.

14 DELEGATE BYRON: Yes, Mr. Owens.

15 MR. OWENS: Now, do we set the criteria and
16 the standards, and when do we -- When do we -- You know, for
17 follow-up funding, do they have to reach a certain threshold
18 that's right and clear and we know that we are interested in
19 putting more money into this budget.

20 SENATOR SMITH: I'm not so certain that we
21 would say that the staff would determine that, you know, that
22 the application has met, you know, x, y, z. I know that we have
23 define that if we would know it.

24 MR. FEINMAN: I hesitate to ever say this in
25 a meeting. I feel as though I've kind of hammered on metrics

1 the whole time I've been here. But I think this one would sort
2 of necessarily be somewhat a subjective call. It's a fairly
3 limited rule. And they all are very different projects. You
4 know, some are very technology intensive. Some are very, you
5 know, whether it's, you know, LED lights, or whether it's to
6 purify water, I mean, it's hard to judge those two things on the
7 same scale.

8 I think what we really would be looking for
9 are places that we have seeded the ground for this company and
10 be successful and where do they flourish. You know, so what we
11 would be looking at is have they hired people; are they on track
12 for purchase orders; are they fulfilling purchase orders; are
13 they moving forward with plans for expansion; have they
14 articulated plans for expansion. Those are the sorts of things
15 that people take very seriously and try to figure out whether or
16 not it's a healthy company, because that's who we want to fund.
17 We want to fund the folks who are ready to go to the marketplace
18 and really generate new economic epiphany.

19 MR. OWENS: Madam Chairman.

20 DELEGATE BYRON: Yes, Mr. Owens.

21 MR. OWENS: So wouldn't that be a part of the
22 performance agreement was for them to get in to see where it
23 they've met those criteria or met the performance agreement,
24 because if they are not doing what they say they were going to
25 do with the initial grant, then why would we give them any more?

1 DELEGATE MARSHALL: Early on we did not have,
2 you know, in R & D we did not require business funds. But with
3 the last ten years, this is when--

4 MR. PFOHL: Madam Chairman, may I suggest, I
5 use the word languishing about some of the projects that
6 received Phase One, and I should probably elaborate a little bit
7 in fairness to those folks. Many of those have not yet been
8 able to secure the required dollar for dollar match, and that's
9 what's kept them from really getting out of the gate with their
10 Phase One. But I would suggest that a minimum qualifying
11 threshold for Phase Two funding would be that if you secure the
12 matching funds for Phase One, then you are on your way with
13 that, because, otherwise, why would we want to add more money to
14 a project that hasn't met its first match requirement.

15 DELEGATE MARSHALL: Madam Chairman.

16 DELEGATE BYRON: Yes.

17 DELEGATE MARSHALL: How much money is
18 languishing out there that someone has not met? And we didn't
19 draw a line to say, you know, after five years, or after two
20 years, or whatever, it comes back to us. I know I've got one in
21 my--

22 MR. PFOHL: Right, right. Yeah, we are
23 talking in the ballpark of seven-and-a-half or eight million at
24 least.

25 DELEGATE MARSHALL: So now it's--

1 MR. FEINMAN: Just to put a cap on it, I know
2 that there are a couple of companies that are really ready to
3 roll. They are filling purchase orders already. You know, they
4 just need -- You know, it's really hardly even, you know, they
5 are ready to go. They just need another -- and they'll be out.

6 DELEGATE BYRON: So what tax rate do we need
7 to put out? I mean, there's got to be some guidelines.

8 MR. FEINMAN: I think if we were to say we
9 give them the limited size of the applicant pool right now. I
10 think if we were to say we'll accept proposals for all of our
11 funding from applicants who've exhausted their prior grant from
12 us, that would limit us to ten--what do you think--twelve folks.

13 MR. PFOHL: Yeah.

14 DELEGATE MARSHALL: Since we are not going to
15 take applications until the summer, could we ask staff to come
16 up with that criteria and give it to us between now and our May
17 meeting, our May 4th meeting. So then because we are not going
18 to probably advertise this until after and then we can have
19 another meeting where we could -- I would want to see criteria
20 for the follow-up, but I'd also like to see a proposal from SBIR
21 and also the group CIT to see what they will agree to take.

22 DELEGATE BYRON: Well, anything we do today
23 could be brought back to us before the May meeting, you know,
24 the same time everybody else have meetings right before that
25 meeting so that we can have something to take in front of the

1 full Commission and open up for full funds or applications at
2 that time.

3 MR. FEINMAN: I think what we would have to
4 do is, but I think would make sense then would be a motion that
5 would direct the staff to develop guidelines and criteria for
6 those two programs. And, ultimately, or additionally, if
7 possible, some sort of agreement whether it's, you know, a full
8 formal MOU, or MOA, or not, at least a document from CIT stating
9 how they'd like the nature of our partnership to look. We can,
10 you know, can't speak for how we can get CIT to -- We can
11 certainly have those other two ready by the May date, and, you
12 know, CIT will move swiftly, and we can have that ready, too.
13 But, I mean, I don't know the process when there is a third
14 party.

15 DELEGATE BYRON: And that one, even I have a
16 lot of questions, and I'm sure others, too, because it sounds so
17 new and unique and Northern Virginia style. So maybe it would
18 be something that has enough interest to look into it further
19 and then bring back some information to us.

20 DELEGATE MARSHALL: Go ahead.

21 DELEGATE BYRON: Is that a yes?

22 Okay. Now, what about -- The third option
23 was a loan program, correct?

24 MR. FEINMAN: Well, I contemplated that for
25 the future, but, yes, what we could do is, we could certainly

1 say we could advertise loans--

2 DELEGATE BYRON: We have to have it ready by
3 May. I just wanted to see if we have the table.

4 MR. FEINMAN: Well, I think if we are already
5 ready to do and all of the other Committees that this just
6 hasn't been fully raised. It's just the concept of giving staff
7 the opportunity to recommend a loan rather than a grant and
8 running straight for (inaudible). So it would be the same
9 criteria for everything. It's just the instances where somebody
10 was already generating revenue and adequately serviced the loan
11 would say, well, this is a better loan situation than a grant
12 situation, and that's something we're happy to do right now.

13 DELEGATE MARSHALL: So could the follow-up
14 program be a loan as opposed to a grant?

15 MR. FEINMAN: It could be, yeah.

16 DELEGATE MARSHALL: So you were talking about
17 the loan structure being at least--

18 MR. FEINMAN: I think if we're going to
19 pursue longevity, that would be a nice place to start, would be
20 to say let's take at least nine million of this and say we're
21 going to make sure that's given out.

22 DELEGATE MARSHALL: So you said the
23 mechanics--

24 DELEGATE BYRON: And I don't know about that
25 being an option or, you know, if you're making it entirely loans

1 or will you consider it being, you know--

2 DELEGATE MARSHALL: Stocks.

3 MR. FEINMAN: We are forbidden to take stock
4 in a company by an investment public concept. Very early in my
5 tenure here I thought that would be a great idea. And I had a
6 long meeting with Kristina and some others over here at the AG's
7 Office educated as to feasibility or infeasibility of that. We
8 can't do that. We can do repayment agreements, you know, that
9 are loans wind up netting this money, but that's about it. You
10 can't be in business against other Virginia businesses. It's
11 really a waste of time.

12 But in terms of the budgets, I think, you
13 know, we're getting a little ahead of ourselves. The committee
14 can earmark it's own budget itself for whatever reason and then
15 alter that depending on demand as we move into the coming years.
16 So if the committee said, for example, you know, we're going to
17 open up the next fall and funding a round for three million
18 dollars or four million dollars. And we have a goal of doing,
19 you know, another three or four million in SBIR matches. If
20 later the committee is not happy with the SBIR matches, then, of
21 course, you just, you know. I just think that as we are looking
22 at a fixed pot of money, it makes sense for this Commission to
23 list many to say we have this fixed amount of resources as I
24 planned to put before the full Commission for it's full pot of
25 money. But since this committee happens to have a fixed set of

1 resources, I think it makes sense to just take stock and say
2 let's have a plan whereby I can allocate the remaining funds
3 before the committee.

4 DELEGATE BYRON: Yes.

5 SENATOR MOREFIELD: If we are in the business
6 of getting the business more or less serving as the main, how is
7 that not convenient than a bank?

8 MR. FEINMAN: Oh, sure it is. But that's not
9 -- The only reason that we invest the Public Funds Act and it
10 reads the way it reads is because it has explicit provisions.
11 We are allowed to make loans. We are not allowed to take stock.

12 SENATOR MOREFIELD: So when establishing the
13 criteria to meet a loan, are we going to follow the standard
14 protocol that an official institution has to follow or--

15 MR. FEINMAN: We'll likely be, you know,
16 getting the other Committee's loan programs. You know, what we
17 would do is we would -- The staff would make a recommendation as
18 to whether or not a given grant applicant a better position to
19 be a loan recipient than a grant recipient. We would see if
20 they were interested. If they weren't, that would be something
21 the Commission or the committee could take into account or not
22 as to decide whether or not to make it important. And if they
23 were, we would just maybe make an award to them for x-amount of
24 money, probably a thousand dollars or so. They get sent over to
25 VRA. We're sort of -- We're finished with them at that point,

1 other than us getting the money over to VRA to service the loan.

2 VRA would do a credit analysis to determine
3 whether or not they had the wherewithal to take on the loan of
4 that size. If they take on a loan -- If they can't, then when
5 they are given a loan in that amount, that they can only take on
6 one of the lesser amounts. They have the option of taking on a
7 lesser amount. The credit has to be determined inside of VRA.

8 You know, I don't foresee that being
9 particularly different from our process from the Committee's
10 respect. We would have to decide is this somebody we like; is
11 this somebody who has got revenue; if they have got revenue,
12 does the staff think that they could take on the loan, and that
13 would be the recommendation. If they don't or if it makes more
14 sense for there to be a grant, then we give them a grant.

15 DELEGATE BYRON: Okay.

16 MR. FEINMAN: But I think the key two things
17 that we like, number one, you know, can we develop a plan for
18 follow-up funding by the May meeting and, two, that we can start
19 talking to applicants, what's the amount of money of the
20 existing resources this committee would like to open up for
21 that.

22 DELEGATE MARSHALL: You're saying
23 two-and-a-half million?

24 MR. FEINMAN: Two-and-a-half is what I
25 suggest.

1 DELEGATE MARSHALL: And so I make a motion
2 that the follow-up funding for the fall would be two-and-a-half
3 million.

4 MR. FEINMAN: Second.

5 DELEGATE BYRON: There will be a motion to
6 put up funding for follow-up funding which will be the fall
7 meeting for two-and-a-half million. It's been seconded. Any
8 further discussion?

9 MR. FEINMAN: I seconded it.

10 MR. OWENS: Question.

11 DELEGATE BYRON: Yes.

12 MR. OWENS: Now, is this in the form of a
13 grant or a loan?

14 MR. FEINMAN: It would be a grant.

15 MR. OWENS: A grant?

16 DELEGATE BYRON: Yes.

17 MR. FEINMAN: Well, we've probably got seven
18 or eight million in there. Sooner or later it's going to wind
19 up back--

20 DELEGATE BYRON: We are also going to have a
21 bunch of applications hopefully that you will be able to gage
22 what type of, you know, requests came in. And they're also
23 going to bring back some potential criteria for the applicants
24 when you come back in May.

25 Any further discussion? All members say aye.

1 ALL MEMBERS: Aye.

2 DELEGATE BYRON: Okay.

3 Senator Smith.

4 SENATOR SMITH: The staff will develop a
5 floor presentation to us, SBIR--

6 MR. OWENS: Second.

7 DELEGATE BYRON: Motion. Okay. All in favor
8 say aye.

9 ALL MEMBERS: Aye.

10 DELEGATE MARSHALL: Isn't the time frame
11 narrow to do this by the May meeting or by the September
12 meeting?

13 MR. FEINMAN: We will give it a real shot at
14 the May meeting. There are a few other big projects coming out
15 with a strategic plan at our May meeting, but I think that we
16 can.

17 DELEGATE BYRON: Yeah. I think that is
18 doable, but we can at least get the rest of it mapped out.

19 DELEGATE MARSHALL: I didn't say anything.

20 MR. FEINMAN: I'm going to work at that, as
21 well, if you have any opposition to that, and funding is always
22 good.

23 DELEGATE BYRON: Certainly. Is there
24 anything else that we are going to pursue at this time?

25 MR. FEINMAN: Well, I have a couple of

1 announcements.

2 DELEGATE BYRON: Anything else from the
3 members?

4 Your announcements?

5 MR. FEINMAN: First I'd just like to
6 introduce Michael Gilbert who has just joined the team. He is
7 replacing Carolyn. He will be doing a lot of really good
8 projects for us. He is helping on the strategic plan. He is
9 helping on taking a hard look at how well some of our prior
10 analytics were structured. He's already improved the trial
11 formula. So he's paying great dividends already and will
12 continue to do so.

13 The second is that we have posted a job
14 opening. We are taking on an early career and I emphasize that
15 by way of indicating what the salary is, but early career,
16 communications or public relations person. We have nearly
17 completed our time with the alliance that they have generated
18 and a lot of really good content for us. Now we just need
19 somebody to run with the program we've got set up. I think that
20 will be greatly important, and I think it will be really
21 exciting if we are going to be able to run. Right now we
22 basically do events when partner groups do events or months to
23 ribbon cutting or when, you know, the Governor's Office does.
24 We will be able to run some of our own. We'll get an
25 opportunity. We are going to be sending you guys out to deliver

1 scholarship checks and to get current companies to talk to
2 folks. I think that will be good for the Commission, it will be
3 good for the members, and it will be good for our meetings to
4 get all the attention, as well. Otherwise, that's all I have.

5 DELEGATE MARSHALL: Do you have a job
6 description?

7 MR. FEINMAN: Yes.

8 DELEGATE BYRON: Don't lose your day job yet.

9 DELEGATE MARSHALL: We'll I'm not applying.
10 It's sixteen thousand bucks a year. So could you send us a copy
11 of the job description.

12 MR. FEINMAN: I certainly can. We will be
13 able to send that out, and I'll send out the link to the
14 Virginia Jobs website, as well.

15 Oh, one last thing, you have your new annual
16 reports in front of you. Stacey worked very hard on those. I
17 think they look pretty great, and you can learn all about the
18 Commission in there.

19 DELEGATE BYRON: And, Michael, where are you
20 from?

21 MR. GILBERT: My dad was in the military so I
22 was in Northern Virginia, and I moved to Richmond in 2005.

23 DELEGATE BYRON: Mr. Feinman, I didn't know
24 if you wanted to mention the dates just to remind everybody.

25 MR. FEINMAN: They're down the road. They

1 are in April. Stacey, would you remind me the dates of those.

2 MS. RICHARDSON: The 18th we'll be in South
3 Boston, and the 26th we will be Abingdon.

4 MR. FEINMAN: And those are going to be
5 critical opportunities for our partner groups to weigh in on our
6 strategic plan. We're really hopeful that that will be a very
7 productive exercise. We have gotten a proposal from a great
8 coordinator at VCU who is going to be helping us facilitate that
9 process. And, you know, I think that will be really excellent
10 and of a great high quality to be ran by them.

11 DELEGATE BYRON: Stacey, what are those dates
12 again?

13 MS. RICHARDSON: The 18th of April and the
14 26th of April.

15 DELEGATE MARSHALL: The 18th in South Boston?

16 MS. RICHARDSON: Correct.

17 MR. FEINMAN: Yes.

18 MS. RICHARDSON: At the Prizery and the 26th
19 will be at the Southwest Virginia Higher Ed Center.

20 DELEGATE MARSHALL: In Abingdon?

21 MR. FEINMAN: In Abingdon.

22 DELEGATE BYRON: Okay. Is there anybody in
23 the public back there that wants to make a comment to the group?

24 (No response.)

25 DELEGATE BYRON: Hearing none, any other

1 questions, or comments, I appreciate everybody coming and look
2 forward to getting this information and opening up some more
3 rounds for the R & D. Thank you. We're adjourned.

4 (Whereupon the proceedings are ended.)
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 CERTIFICATE OF COURT REPORTER

2

3 I, Rosiland Hines-High, do hereby certify
4 that I, having been duly sworn, was the court reporter who took
5 down and transcribed the proceedings of the Tobacco Region
6 Revitalization Commission R & D Committee meeting when held on
7 Monday, February 22, 2016, at 4:30 p.m. at the Crowne Plaza
8 Hotel, Richmond, Virginia.

9 I further certify that the foregoing
10 transcript is a true and accurate record to the best of my
11 ability to hear and understand the proceedings.

12 Given under my hand this 28th day of March,
13 2016.

14

15

16

17

18 ROSILAND HINES-HIGH, CCR

19 Court Reporter

20

21

22

23

24

25